GOVERNMENT OF INDIA
TEXTILES
LOK SABHA

UNSTARRED QUESTION NO:1375
ANSWERED ON:26.11.2007
MODIFICATIONS IN TECHNOLOGY UPGRADATION FUND SCHEME
Angadi Shri Suresh Chanabasappa;Gaikwad Shri Eknath Mahadeo;Jagannath Dr. M.;Mane Smt. Nivedita

Will the Minister of TEXTILES be pleased to state:

(a) whether the Union Government has accepted the Secretaries Level Committee`s recommendations on Technology Upgradation Fund Scheme;

(b) if so, the details thereof;

(c) whether the Union Government has approved the modified Technology Upgradation Fund Scheme for the textile sector;

(d) if so, the details thereof alongwith objectives of the Scheme;

(e) the time by which the modified Technology Upgradation Fund Scheme is likely to be approved;

(f) whether the Government proposes to enhance the capital subsidy to textile Units under the said scheme; and

(g) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF TEXTILES (SHRI E.V.K.S. ELANGOVAN)

(a) There was no Secretaries Level Committee`s recommendation on Technology Upgradation Fund Scheme (TUFS).

(b) Does not arise.

(c) Yes, sir.

(d) The objective of TUFS is to provide impetus to the modernization of the Indian Textiles Sector. The salient features of the modified Scheme are given in the Annexure.

(e) The Scheme has been approved.

(f) In the modified Technology Upgradation Fund Scheme, Government has approved enhanced capital subsidy for the garments and technical textiles segments.

(g) Does not arise.

Annexure

Salient features of the modified Technology Upgradation Fund Scheme
i). The rate of interest reimbursement on spinning machinery has been reduced to 4%. All the remaining sub-sectors covered under the scheme would continue to get assistance @ 5%.
ii). The scheme will continue to provide cover for foreign exchange rate fluctuation not exceeding 5%. However, for the spinning machinery the coverage will be 4%.
iii). The Scheme will now provide an additional option to the powerlooms units to avail of 20% Margin Money subsidy under TUFS in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 100 lakh and ceiling on capital subsidy Rs.20 lakh. A minimum of 15% equity contribution from beneficiaries will be ensured.
iv). The Scheme will now provide 15% Margin Money subsidy for SSI textile and jute sector in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 100 lakh and ceiling on capital subsidy Rs.15 lakh. A minimum of 15% equity contribution from beneficiaries will be ensured.
v). The Scheme will continue to provide 5% interest reimbursement plus 10% capital subsidy for specified processing machinery.
vi). The Scheme will now provide 5% interest reimbursement plus 10% capital subsidy for specified machinery required in manufacture of technical textiles and garmenting machineries.
vii). The Scheme will now provide Interest subsidy/capital subsidy/Margin Money subsidy on the basic value of the machineries and exclude the tax component for the purpose of valuation in view of the decision for non-subsidizing the taxes.
viii). The Scheme will provide 25% capital subsidy on purchase of the new machinery and equipments for the pre-loom & post-loom

operations, handlooms/up-gradation of handlooms and testing & Quality Control equipments, for handloom production units.

ix). The entire range of imported second hand machinery will now be ineligible under the Scheme for any benefit except automatic shuttleless looms with the value cap of Rs. 8.00 lakh per machine and 10 years` vintage and with a residual life of minimum 10 years.

x). Other investments such as energy saving devices, effluent treatment plant, in-house R&D, IT including ERP, TQM including adoption of ISO/BIS standards, CPP etc will now be eligible for benefits of the Scheme only upto 25% of the cost of machinery.

xi). Investments like land, factory building, pre-operative expenses and margin money for working capital will now be ineligible for benefit of reimbursement under the scheme except meant for apparel sector and handloom with existing 50% cap i.e. 50% of the cost of machinery and equipment.

xii). On loans sanctioned during 01.04.1999 and 31.03.2007, the then existing parameters and guidelines will apply.